



*For
Active Members*

Montana Public Employee Retirement Administration (MPERA)

July 2004

A Message From the Executive Director

by Mike O'Connor



The investment climate in recent years has resulted in a nationwide concern over the funded status of defined benefit retirement plans. The retirement plans administered by the Public Employees' Retirement Board are no different. It is not unusual for a retirement plan's funding level to fluctuate. In the late 1970's we had large unfunded liabilities. In 2000 we were over funded, which is why we were able to increase the Guaranteed Annual Benefit Adjustment (GABA) to 3%.

The Public Employees' Retirement Board's funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer and member contributions, and the income from investments, provide the reserves needed to finance future retirement benefits. Since investment earnings are critical to the defined benefit plans' funding, the market decline and associated investment losses have weakened the

plans' funding. The next valuation of the plans will be July 2004. That valuation will take into account the recent investment losses for fiscal years 2001 and 2002. It will also take into account the investment income for fiscal years 2003 and 2004.

History bears out that declining markets do recover, as we can currently see happening. We continue to maintain a long-term investment strategy. By diversifying holdings, the plans are positioned to ensure that members receive the financial security they have earned.

I can assure you that retirement benefits are guaranteed. Payment of retirement benefits is not in danger. The retirement plans administered by the Public Employees' Retirement Board have enough assets to meet benefit obligations as they come due. The assets will be there to pay your retirement benefits when you retire.■

The Public Employees' Retirement Board is an independent, seven-member board, appointed by the Governor to administer eight different retirement systems and the State's deferred compensation plan. The Montana Public Employee Retirement Administration (MPERA) consists of 32 employees who perform the day-to-day work of the Board. This annual newsletter provides information for employees who are members of the retirement systems administered by the Montana Public Employee Retirement Administration (MPERA). The retirement systems include:

• Public Employees' (PERS)	*29,348	• Sheriffs' (SRS)	*673
• Highway Patrol Officers' (HPORS)	* 192	• Municipal Police Officers' (MPORS)	*611
• Game Wardens' and Peace Officers' (GWPORS)	*689	• Volunteer Firefighters' Compensation Act (VFCA)	*2,629
• Firefighters' Unified (FURS)	*441	• Retirees	**17,490
• Judges' (JRS)	*50		

*Active members as of April 30, 2004

**Retired members as of April 30, 2004

New to PERS?

REMEMBER TO MAKE YOUR RETIREMENT PLAN CHOICE!



As a new member in a PERS-covered position, you will have one year from your date of hire to make a retirement plan choice. You will be choosing to either remain in the PERS Defined Benefit Retirement Plan (DPRP) or change to the PERS Defined Contribution Retirement Plan (DCRP). The DCRP is not available for members of the other retirement systems administered by the Board.

A clear knowledge and understanding of both the DBRP and DCRP is vital when making your retirement plan choice.

The education provided by the MPERA will help you understand the plans and the need for retirement planning. To assist with your decision making process, the MPERA provides the following educational opportunities:

1.) PERS New Member Packet

The PERS New Member Packet includes an overview letter, booklets explaining the basics of each retirement plan, and a workbook with the retirement plan election form at the back. Also included is a schedule of the current retirement plan choice workshops.

Once your employer reports you to the MPERA, we will send educational materials directly to you.

2.) Retirement Plan Choice Workshops

Workshops are scheduled across the state on a quarterly basis. The 90 minute workshop provides a thorough explanation of each retirement plan and the opportunity to ask questions in a group setting.

Workshop schedules are mailed quarterly to new PERS members' home addresses. You may also view the dates, times and locations of workshops in your area by visiting our web site listed below.

We encourage you to review the materials and attend a workshop prior to making your retirement plan choice. Remember, you have 12 months from your date of hire to file an election, even if your status (active, inactive or terminated) changes during the 12 months. If you do not file your retirement plan election with the MPERA within the 12-month election window, you will remain in (or default to) the DBRP. Both a filed election and a default election are *irrevocable*.

The United States Post Office postmark determines the date an election is filed with the MPERA. Giving an election to your agency payroll or human resource personnel **does not** constitute a filing with the MPERA.■

Workshops are continuously being scheduled. Check the web site for additional locations.
<http://www.discoveringmontana.com/doa/perb/PERSworkshop.htm>

Annual Statements

Annual Statements are mailed to the member's home address each July. However, if no address is on file, the MPERA will mail your statement to your employer for distribution. (See Address Information on page 3.)

If you question any information on your annual statement, make a copy of the statement, circle the area of concern, and mail the copy to the MPERA at PO Box 200131, Helena MT 59620-0131. Be sure to include your name, address, social security number and a phone number. One of our analysts will research the area of concern and

notify you in writing of the findings.

If you are a PERS Defined Contribution Retirement Plan (DCRP) member, you will not receive an annual statement from the MPERA. However, you will receive quarterly statements from Great West Retirement Services.■

EMPLOYEE INFORMATION

Address Files

MPERA relies on you to update your address with your employer. Your employer will notify the MPERA of any address change you have provided. This will ensure that all written correspondence from the MPERA is sent directly to you.■

Beneficiary Designation

Your current beneficiary designations are listed on the annual statement. You should consider updating your designated beneficiaries as personal circumstances change, such as: the death of a named beneficiary, a change in marital status, name changes, or birth of a child. Changes must be made by completing and filing* a new membership card with the Board, not your payroll clerk. The most recent beneficiary designation filed with the Board is effective for all purposes.

The following information will assist you when designating beneficiaries or making a beneficiary change:

- Beneficiary designations and changes, for active members, must be made on a membership card. You may request a membership card from your payroll clerk or from the MPERA.
- If you work for two covered employers, you must select the same beneficiaries on both membership cards. Remember, the most recent beneficiary designation filed with the Board is effective for all purposes.
- If you name a trust as your beneficiary, be sure to provide the name and address of the trustee.
- Retired members, who are eligible to change their beneficiary designations, must request a form from the MPERA to do so.

*Filing generally means the mailing of a form in a stamped envelope properly addressed to the MPERA or the Board. The postmark date is used to determine the filing date.■

Deferred Retirement Option Plan (for MPORS only)

Active MPORS members who complete at least 20 years of membership service, **at any age**,

may participate in the Deferred Retirement Option Plan (DROP). If you wish to participate in the DROP, you must file a request with the MPERA. The MPERA will calculate estimates of monthly DROP accruals and send the estimate to you, along with an application for the DROP. You must then complete the application and return it to the MPERA.■

Disability Benefit Cap

Members of HPORS, SRS, GWPORS, FURS, or MPORS with 20 years or more of membership service, who become disabled in the line of duty after July 1, 2003, no longer have a cap on their disability retirement benefit. You will receive a disability retirement benefit equal to 2.5% of your highest or final average compensation (depending on the system) for each year of service credit.■

Optional Membership (for PERS only)

PERS membership is mandatory if you are employed in a position covered by the PERS, unless the law provides an exception as listed in §§19-3-403 and 19-3-412, MCA. Membership is optional if you work less than 960 hours in a fiscal year in a PERS-covered position. If you exceed the 960 hour limit, you must become a member. The 960 hours is cumulative if you work in more than one PERS-covered position. Membership is not optional if you are already a PERS member. (For example, an employee transferring from another PERS-covered position or an inactive PERS member returning to work.)

If membership is optional, **you the employee, have the right to choose** whether or not to become a member. All new employees in positions for which PERS membership is optional must complete an *Optional Membership Election* form within 180 days of the date hired. Once completed, your employer will mail the top of the two-part form to the MPERA and keep the second part in their file.■

Purchasing Service

The following page contains information regarding the purchase of various types of service available in the retirement systems. You are not eligible to purchase service once you have elected the PERS Defined Contribution Retirement Plan (DCRP).■

Service You May Purchase includes . . .

Purchasing Service

You may be eligible to purchase various types of membership service and service credit. Service which may qualify to be purchased includes:

- ◆ Refunded Service
- ◆ Retroactive Service
- ◆ Montana Public Service
- ◆ Absence Due to Illness or Injury
- ◆ Additional ("1 for 5") Service
- ◆ Military Service
- ◆ Federal Volunteer Service
- ◆ Other Public Service

Only members of **PERS DBRP*, JRS, HPORS, SRS, GWPORS, FURS, and MPORS** are eligible to purchase (buy) service. You may rollover funds from an eligible retirement plan account to purchase

service. You may also purchase service through a direct trustee-to-trustee transfer of funds from your IRA, 403(b) or 457(b) deferred compensation plan. Service may also be purchased on installment contracts. Once selected, the tax deferred installment contract cannot be terminated except by death or termination of employment. Payment schedules cannot be less than three months or more than 60 months (five years). For information about initiating a service purchase contract, contact the MPERA in writing. You should receive a written cost statement within 3-5 weeks from receipt of your request.

*PERS DCRP participants are not eligible to purchase service.

Refunded Service

You may purchase service from which you have terminated and taken a refund. Contact the MPERA.

Retroactive Service

Members who have previously declined optional membership may be eligible to purchase that service. You may also purchase service earned prior to the employer's PERS contract coverage. You must file a written application with the MPERA for Board approval.

Montana Public Service

You may be eligible to purchase previous service in the other retirement systems. You must have received or be eligible to receive a refund of accumulated contributions. Contact the MPERA for specific details.

Other Public Service

You may be eligible to purchase service performed with another state or the Federal Government for which you contributed to a retirement system and took a refund.

Absence Due to Illness or Injury

If you are absent from service because of a work related injury or illness, you may be eligible to purchase that service. Contact the MPERA for specific qualifications.

Additional "1 for 5" Service**

If you have at least five years of membership service you may, at any time before retirement, file a written request with the Board to purchase 1 additional year of service credit for each 5 years of membership service.

Service may be purchased through direct payment, a rollover of funds from an eligible retirement plan, direct trustee-to-trustee transfer or on an installment contract.

Military Service**

Retirement system members with at least five years of membership service may purchase military service.

Reserve Military Service**

Eligible members of the PERS, HPORS, SRS, GWPORS, FURS, and MPORS, with at least **five years of membership service**, may purchase up to five years of the member's reserve military service.

Volunteer U.S. Service Program**

PERS members with at least five years of membership service may now purchase up to five years of the member's service as a volunteer in various United States service programs.

**The years of service which may be purchased is limited to five years in combination with other starred service purchases.■

? DID YOU KNOW

? Do I Qualify for a Refund

A member of a defined benefit retirement system administered by the MPERA who terminates covered employment is eligible for a refund of accumulated contributions. You may receive a lump-sum refund or have your eligible contributions rolled over to a qualified retirement plan. Contact the MPERA to request refund or rollover information.

PERS Defined Contribution Retirement Plan (DCRP) participants may take their funds as a lump sum or use the account balance to provide for income at termination, retirement or death. You may also choose to leave your funds in the plan or transfer them to another eligible plan.

However, for all systems, the MPERA is required by the IRS to distribute accounts less than \$5,000 for non-vested members (less than five years of membership service). The MPERA will automatically refund accounts less than \$200 as long as you are “terminated” by all covered employers, and we have your current address on file.■

? How to Request a Refund

To request a refund, you must complete the *Terminated Employee Refund Application*. Both you and your employer must complete appropriate sections of this form. **Your employer will inform the MPERA of the last time you will be reported on a payroll file with final payout.** After you and your employer have completed the application, your employer will send it to the MPERA.

If you are a DCRP participant, you must complete the *Terminated Employee Refund Application* along with the Great West Retirement Services’ *Distribution Direct Rollover Request*. This form is available through the Great West Retirement Services.

Note: You are not eligible to receive a refund if you are changing to a job covered by the same retirement system.■

? What is the Plan Choice Rate

The Plan Choice Rate is the percent of the employer contribution allocated to the Defined Benefit Retirement Plan for members who choose the Defined Contribution Retirement Plan. The rate is required by statute and is actuarially determined to maintain the financial stability of the Defined Benefit Retirement Plan.■

? When do I Receive the Guaranteed Annual Benefit Adjustment (GABA)

Whether you retire with a service retirement, disability or an early retirement benefit, you are eligible for the Guaranteed Annual Benefit Adjustment (GABA). The GABA ensures a 3% increase in your benefit payments from the previous year.

You must receive your retirement benefit for 12 months before you become eligible for the GABA. Once eligible, you will receive your first increase in your following January payment.

For example, if you retired on October 1, 2004, you would become eligible for the GABA on October 1, 2005. You would receive your first GABA with the January 2006 benefit payment. All benefit payments are sent out on the last working day of the month.■

? Where Do I Get My Election Form for Plan Choice

Newly hired PERS employees must file an election form indicating a retirement plan choice. The retirement plan election form may be found in the back of the “Workbook” that was mailed directly to you with your education materials.■

Member Handbooks Distributed...for MPORS & VFCA

We revised the VFCA (June 2003) and the MPORS (February 2004) handbooks and sent copies to agencies for distribution to members. You may also download the most current MPERA publications from our web site at:

<http://www.discoveringmontana.com/doa/perb/publications.htm>

Quick Notes . . .

Account Balance Information - Members of the DBRP may obtain account balances by writing, calling or e-mailing MPERA. DCRP members may obtain account balances by contacting Great West Retirement Services at 877-699-4015 or accessing the web site at:

<http://MPERAdcplans.com>

Addresses - Moving? Let your employer know of any address change you may have. They will make the necessary adjustments to your account and forward your new address information to the MPERA.

Administrative Rules - Notices of amendment or adoptions of the administrative rules are sent to all payroll clerks. Your employer should post the notices in a location where all affected employees will have access. They may also be reviewed on our web site at:

<http://discoveringmontana.com/doa/perb>

Annual Statement - Annual statements are mailed to your home address as soon as possible after fiscal year end (June 30th). Please review your annual statement to ensure that your contributions, service, and beneficiaries are reflected accurately. (See Annual Statements on page 2.)

Beneficiary Designation Change - Members of all retirement systems may designate their estate as a beneficiary, in addition to natural persons, charitable organizations, or trusts for the benefit of natural living persons.

Note: The above change does not affect the required statutory beneficiary designations in MPORS, HPORS, and FURS.

Family Law Orders (FLO) - If your ex-spouse is entitled to a portion of your retirement account as the result of a dissolution decree, contact the MPERA regarding a FLO.

Mandatory Refunds - Members who terminate employment are required to receive a refund if: (1) They are not vested (less than five years of membership service); and (2) they have less than \$5,000 in their account. §19-2-602, MCA.

Membership - If you are employed by more than one agency and you are an active member of PERS (making contributions), you may not decline PERS membership with the other agency.

Membership Cards - New employees must complete a membership card upon starting work in a position covered by any retirement system administered by the MPERA. Your payroll clerk should provide you with the membership card on your first day of work. Please complete the card and return it to your payroll clerk who will send it to the MPERA.

MPERA Publications - Current handbooks and other publications may be viewed and/or downloaded from our web site at:

<http://discoveringmontana.com/doa/perb/publications.htm>

New Employee Education - We encourage all newly hired PERS members to attend one of the MPERA retirement plan choice education workshops held across the state. You may access the schedule at:

<http://discoveringmontana.com/doa/perb/PERSworkshop.htm>

Reminder - Please ensure that all forms and written communications are complete and legible before sending them to the MPERA. Forms with missing information will be returned to you, causing delays in processing.

State of Montana 457 - The State's 457 Deferred Compensation Plan, administered by the Board, is available to not only state agencies, but also to local government entities.

Toll Free Number - The MPERA staff is here to help. If you have questions concerning your retirement plan we encourage you to use our toll free number at **1-877-275-7372** and we will do our best to serve you.

Web Address - You will find frequently asked questions and answers along with an array of pertinent information about your retirement plan by accessing our web site at:

<http://www.discoveringmontana.com/doa/perb/FAQ.htm>

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This is an official publication of the Montana Public Employee Retirement Administration (MPERA).

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Should any information in this newsletter conflict with statute or rules, the statute or rules will apply.

QUESTIONS?

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